

In the matter of the dispute
between
CORNING COMMUNITY SCHOOL
DISTRICT, CORNING, IOWA
and
CORNING COMMUNITY EDUCATION
ASSOCIATION

ARBITRATION
AWARD

Iowa PERB CEO #175/1

Richard Peggnetter
Arbitrator

June 9, 2003

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IOWA PUBLIC EMPLOYMENT
RELATIONS BOARD

A hearing in the above dispute was held in Corning, Iowa on June 2, 2003 before the undersigned Arbitrator. During the hearing, both the District, Corning Community School District, and the Association, Corning Community Education Association, were given full opportunity to present evidence and argument. The hearing began at 9:00 AM and concluded at 2:00 PM. Neither side filed a post-hearing brief and the record was closed at the conclusion of the hearing.

APPEARANCES.

For the District: Brian Gruhn and Don Hoskins, Attorneys for the District

For the Association: John Phillips, UniServ Director, and Pete Nett, Negotiations Chair

Background. Located in southwestern Iowa, the Corning Community School District is in a rural area of the state, with agriculture a major industry. The District employs approximately 52 teachers who are represented by the Association. The enrollment in the 2002-03 school year was 632 students. The District operates with an annual budget of about \$31.4 million.

The parties were unsuccessful in their efforts to negotiate a new contract for the 2003-04 school year and proceeded through the Iowa Public Employment Relations Act impasse procedures to arbitration. The parties agreed to a modification of the statutory timeframe of the impasse procedures and provided an extension of the impasse beyond May 31, 2003 for the completion of arbitration (Joint Exhibit 1). The undersigned was selected as the sole arbitrator and a hearing was scheduled for June 2, 2003. At the hearing, the parties presented the arbitrator with two Issues at Impasse: WAGES and INSURANCE. Also at the hearing, the District raised the matter of a prohibited practice charge brought by the District regarding the Association's form

and timing in exchanging final offers with the District. The arbitrator advised the parties of the proper authority of the Iowa Public Employment Relations Board, not the interest arbitrator, in determining such issues and the arbitration hearing proceeded to hear evidence and argument on the impasse issues.

Iowa law provides that the arbitrator will select the most reasonable of the final offers of the parties on each impasse item submitted to arbitration. This selection is to be based on consideration by the arbitrator of the following statutory criteria, *in addition to any other relevant factors*:

- a. *Past collective bargaining contracts between the parties, including the bargaining that led up to such contracts.*
- b. *Comparison of wages, hours, and conditions of employment of the involved public employees doing comparable work, giving consideration to factors peculiar to the area and classification involved.*
- c. *The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services.*
- d. *The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.*

Comparability. The parties both use comparisons with other Iowa schools in arguing their evidence. The Association focuses on a group of schools from across Iowa that are similar in size to Corning, being either larger or smaller than Corning. This group is the ten districts just larger and ten districts just smaller than Corning. The Association also includes the schools in Corning's athletic conference, the Pride of Iowa Conference. These 30 schools range in enrollment from 843 to 373 students (Association Exhibits A 3-4/5/6). The Association submits that these districts are all similar in size or, in the case of conference schools, near Corning. The District emphasizes a different comparison group, using similarly sized schools from three, contiguous Area Education Agency (AEA) regions in southern and southwestern Iowa, as well as three athletic conference schools from AEA 11. These are primarily "size 3" schools in AEAs 13, 14, and 15 (District Exhibits I-13, 14, 15). The District argues that these schools not only represent similar teaching and student environments, but that they are also in the same physical and economic area of the state.

WAGES. The current contract provides for a base salary of \$22,475 with from 12 to 24 increments for years of service, varying across six different education lanes, to establish salary increases for both experience and additional education beyond the bachelor's degree. The number of experience increments or steps on each education lane generally increases with higher levels of education. Several longevity increases are provided for teachers who have reached the top pay level in their education lane. The maximum salary provided on the 2002-03 salary

schedule is \$43,152, for a teacher with 24 years of service and 30 credit hours beyond a master's degree. Additional pay is provided for extra duty activities. The District presented a final offer of a \$175 increase on the base salary for a new, \$22,650 base in the 2003-04 school year. The Association submitted a final offer for a new, 2003-04 base of \$22,675, or an increase of \$200 on the base salary for the new contract.

Position of the Association. The Association contends that its final offer of a \$200 base increase will barely keep Corning teacher salaries competitive. The Association submits that the average increase in base salary for the comparison group of similarly sized schools across Iowa is \$331 for 2003-04 (Association A 5-1). The Association notes that the base increase for all reported settlements in Iowa is \$334 (Association Exhibit A 5-10). The Association also argues that a \$200 base increase is below the pattern of historic base increases for Corning teachers, cited as an average of \$323 for the period 1992-93 to 2002-03 (Association Exhibit A 4-6). Consequently, the Association urges that its proposed base salary increase is below average and highly reasonable.

The Association further maintains that the District can readily afford a \$200 base increase for its teachers. The District will see an increase in allowable growth of 1.33% for 2003-04, above the average of 0.90% for the comparison group (Association Exhibit A 5-1). The Association salary proposal, along with the Association final offer on insurance, will represent an increase in teacher compensation or total package of 4.24% for 2003-04. The average total package reported in settlements for the Association comparison group is 4.22% (Association Exhibit a 5-1). The Association contends that the District has been able to increase both its cash reserve and unspent balance in recent years and is in a strong financial position (Association Exhibits 6-1/3). The Association argues that, by either the measure of salary comparability or relative ability to pay, its final offer is the most reasonable.

Position of the District. The District argues that its proposed increase of \$175 in base salary for 2003-04 will continue a competitive wage position for Corning teachers and, with the District final offer on insurance, have a better effect on the District's budget than the increase proposed by the Association. The District submits that Corning teacher salaries compare favorably with other similar schools. The District introduced evidence to demonstrate that Corning salaries were above the average for both similar schools in southwestern Iowa and the athletic conference. The District notes that Corning was above the average salary by \$629 in the AEA comparison group and \$1955 above the average salary in the athletic conference (Association Exhibits W 3/5).

The District contests the Association claim that the District could easily fund the Association final offer. The District submits that the Corning unspent balance is nearly 60% below the average unspent balance for both the AEA and conference comparison groups (District Exhibits B-3/4). The District also argues that these monies are not recurring and should not be seen as a source of funding for recurring costs such as teacher salaries and benefits. The District stresses that its wage proposal, along with the District final offer on insurance, will exceed the District's new money for 2003-04 by 2.24% or use 192% of the District's new money (District Exhibit C-2). The District contends that the settlement average in total package increases for similar area schools, with less than 3% in new money, is between 3.79% and 4.01% (District Exhibits S-7/8). The District maintains that its smaller size makes a total package final offer of 3.57% that is slightly below the comparison data reasonable and still competitive on salary (District Exhibit S-13).

INSURANCE. The current contract contains a health insurance clause that provides District payment of \$280.87 per month or the cost of health insurance for each employee. For employees not purchasing family coverage, any monies remaining after the purchase of individual health insurance can be retained as additional income. The clause also provides an "opt-out" so that employees who do not participate in the medical insurance plan can have the equivalent of single coverage premium costs applied as additional cash income. The Association proposes new language that provides \$355 in medical insurance for each employee, but establishes a limit of \$280 on money directed toward a cash, opt-out for full-time employees choosing not to take the health insurance coverage. The District seeks to retain the existing language, with a modification of the \$280.87 amount to a new \$323 figure, and no change in the opt-out provision of the health insurance clause.

Position of the Association. The Association stresses that its health insurance final offer reflects an effort to respond to the District's concern for a cap on medical benefit costs. The Association submits that during negotiations, the District maintained that a cap on the insurance opt-out was critical to a settlement (Association Exhibit A 2-1, District Exhibit I-4). Consequently, the Association included this change in its final offer for arbitration. The Association also notes that the parties were unsuccessful in developing a mutual agreement regarding the insurance plans from which an employee could choose and that the District then unilaterally specified the available options (Association Exhibit 2-4). The Association proposes \$280 as a cap for the opt-out provision to reflect the current dollar amount in the 2002-03 insurance clause.

The Association contends that its final offer on insurance compares well with similar schools in Iowa. The Association submits that health insurance benefits in Corning are now below the 2002-03 figures for comparable schools by more than \$150 per month (Association Exhibit A 2-6). The Association emphasizes that employee deductible increases will further erode the disposable income for Corning teachers (Association Exhibit A 2-7). As noted above under the parties' position on wages, the Association submits that the District is reasonably able to fund the Association final offer, including wage and insurance costs, with a strong unspent balance. Association argues that its final offer on insurance is reasonable by measures of both comparability and the District's financial position.

Position of the District. The District final offer on health insurance maintains the existing format of a stated dollar amount for each employee, with the cost of single coverage serving to identify the amount available as a cash opt-out for non-participating employees. The District stresses that Association proposal represents a fundamental change in the health provisions of the contract. The District submits that such a change in the nature of a contract clause should not be imposed by arbitration when only one party seeks such a change. The District notes several arbitration awards in Iowa that have endorsed this interpretation of the Iowa Public Employment Relations Act impasse procedures (District Exhibits IN 2/3/4). The District contends that the Association has not met the extraordinary burden of proof required when only one party proposes a conceptual change in an existing, mutually negotiated contract clause.

The District also argues that, with its wage proposal, the District final offer on insurance represents a competitive total package increase of 3.57% for 2003-04 (District Exhibit S-2). The District submits that this compares well with average settlements of 3.71% in similar, near-by schools. As noted above under wages, the District contends that the total package cost of the Association final offer on insurance and wages would represent over 200% of the District's new money for 2003-04 (District Exhibit C-2). The District maintains that its insurance proposal is competitive and, most significant in determining reasonableness, retains the format of the existing health insurance provisions in the contract.

Discussion. Each party has presented reasonable final offers on both wage and insurance issues. As a starting point to review their positions, comparability becomes an issue. While both parties focus on schools of similar size, they use comparison data from different collections of schools. The Association focuses on schools of similar size from across the state. The District stresses schools with similar enrollment in southwestern Iowa. In general, size captures similar teaching environments. However, the need to go beyond the immediate geographic area is most commonly evident with very large school districts, since their size counterparts in a state like

Iowa are small in number and usually require a statewide scan to capture a reasonable comparison number. Otherwise, regional or nearby comparisons for teachers in similar size schools better capture not only equivalent teaching conditions, but also better reflect area economic conditions. Consequently, the comparison group proposed by the District adds more value to comparison data for Corning teachers than the much broader comparison group argued by the Association.

The parties' final offers on health insurance are somewhat unique, in that the Association is proposing a change in format or concept, while the District is seeking to sustain the existing clause with only a change in the dollar amount provided for insurance. In the current insurance climate, it is more frequent that the employer initiates any change in format, such as a dollar cap or an employer contribution difference between premium value and cash opt-outs for employees not needing insurance coverage. However, given the parties' proposals on health insurance, the District is correct in identifying a higher burden of proof when a unilateral proposal for changing the basic form of a negotiated contract provision is made. Here the Association bears that burden.

I will award below that the final offer of the Association on wages and the final offer of the District on insurance will be selected as the most reasonable. These selections are based on the following analysis of the evidence presented.

1. A new Corning salary base of \$22,675, as proposed by the Association, will keep Corning teacher salaries competitive with those in near-by schools of similar size. These data show Corning as above the mean salary among area schools, including the athletic conference schools, in average teacher salary (District Exhibits W-3/5). A \$200 base increase should not significantly impact that relative position, either positively or negatively. The value of salary, plus the value of a cash opt-out for insurance, was not considered an appropriate tool for comparing Corning to other near-by districts, since this same option was not known to be or not be available under the insurance provisions of contracts in the comparison districts.

2. The adoption of the District final offer on health insurance will increase the employer contribution from the current \$280.87 to \$323.68 per month. This change will result in a 15% increase in District spending on health insurance and insurance opt-out (District Exhibits C-4 and S-5). This will exceed the average insurance increase of 12.49% in the comparison group schools and the 13% increase reported statewide, helping to keep total compensation for Corning teachers competitive (District Exhibit S-5).

3. Corning will still remain below average in employer contribution to health insurance at \$323.68 per month (Association Exhibit A 2-8). However, a change in the format of the health insurance clause, as contained in the final offer of the Association, would represent a substantial shift from what had been voluntarily negotiated by the parties into their earlier agreements. It is

given significant weight here, that only the Association was seeking a change in the basic nature of the insurance clause. The fact that such a change in concept had initially been proposed by the District during bargaining for the 2003-04 agreement does not diminish the status of the final offers the parties brought to arbitration. At arbitration, the District final offer reflected no change in format regarding the health insurance provisions, while the Association final offer sought to specify a dollar cap on cash for non-participants. Consequently, while the Association provided some evidence to show that total insurance benefits in Corning were lower than similar districts across the state, this represents data associated with comparable insurance benefits and is not sufficient to carry the special burden to warrant amending the format of the health insurance clause through arbitration (Association Exhibit A 2-8).

4. The total package increase for Corning teachers, with the District insurance proposal and the Association wage offer, will be about 3.8% for 2003-04 (Association Exhibits A 7-17/18). This increase is represented as 3.67% on District Exhibit C-2. A 3.8% increase in Corning will compare well with the 3.71% increase for similar, near-by school settlements and will be similar to the past settlements at Corning, averaging 3.83% between 1999 and 2002 (District Exhibits S-3/4). While the Corning increase of 3.8% will be slightly below the statewide average settlement of 4.05%, it will be reasonably close (District Exhibit S-12).

5. A 3.8% total package increase is comfortably within the 2003-04 budget for the Corning Community School District. With new growth money of 1.33%, the District is above the state average. Among districts with contract settlements for 2003-04, that new money figure is 0.68% (District Exhibit S-12). A 3.8% increase in Corning represents only about \$2600 more than the cost of the District final offer on wages and insurance. Further, the District's unspent balance is healthy, indicating sound financial condition, and there will be available, recurring funds from expected salary savings (Association Exhibits A 7-10/11). Consequently, while enrollment growth is an issue in the District's future, the District will not be negatively affected by a 3.8% total increase for teachers in 2003-04.

In summary, the selection of the Association final offer on wages and the District final offer on insurance is supported by the comparable evidence from near-by, similar school districts in Iowa. Health insurance expenditures will be increased and Corning salaries will remain competitive in southwest Iowa. Neither of these increases in cost to the District will provide undue burden for the District's solid financial condition.

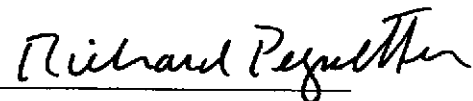
Therefore, in accordance with the above Discussion, I hereby provide the following

AWARD

1. WAGES. The final offer of the Association for a \$200 increase in the base salary for a 2003-04 base salary of \$22,675 is selected as the most reasonable.
2. INSURANCE. The final offer of the District for a continuation of the existing provisions on health insurance, with a new \$323.68 District contribution is selected as the most reasonable

Bonita Springs, FL

June 9, 2003



Richard Pegnetter, Arbitrator

CERTIFICATE OF SERVICE

I certify that on the 9th day of June, 20 03, I served the foregoing Award of Arbitrator upon each of the parties to this matter by (_____ personally delivering) (Mail mailing) a copy to them at their respective addresses as shown below:

I further certify that on the 9th day of June, 20 03, I will submit this Award for filing by (_____ personally delivering) (X mailing) it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, IA 50309.

Richard Pegnetter

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